

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1104 - HB 1509

March 20, 2021

SUMMARY OF BILL: Authorizes the Department of Human Services (DHS) to utilize an alternative methodology to a market rate study, including cost-of-quality studies and cost estimation models, when determining the annual reimbursement rate to be paid to child care providers on behalf of low-income families.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – A recurring increase in federal expenditures of \$21,900 in FY21-22 and subsequent years is estimated to be absorbed within the DHS’s annual Child Care Development Fund block grant.

Assumptions:

- Pursuant to Tenn. Code Ann. § 71-1-130(a)-(b), DHS must perform a market rate study of day care rates annually and from that study determine the amount to be paid to child care providers as reimbursement on behalf of low-income families.
- In addition, approximately every three years, the Department conducts a narrow cost analysis to satisfy federal funding requirements.
- DHS currently contracts annually with the University of Tennessee Boyd Center for Economic and Business Research (UT-CEBR) for these studies.
- The current annual cost to DHS for the market rate study is \$33,100. The cost to DHS in years in which the Department requires an additional study varies. In 2021, the Department is contracting with UT-CEBR, in collaboration with the Social Work Office of Research and Public Services, to conduct an additional cost of care study. The value of the contract for both of those studies is approximately \$55,000.
- Therefore, the increase in expenditures related to the additional cost of care study this year is approximately \$21,900 (\$55,000 - \$33,100).
- It is assumed that, were DHS to decide to commission a study utilizing an alternative methodology, including a cost-of-quality study or cost estimation model, a market rate study and a narrow cost analysis would still be required to satisfy state and federal requirements.
- The exact cost to DHS to conduct a study utilizing an alternative methodology is unknown and dependent on the particular methodology and other variables. However, it is reasonably assumed to cost an amount equal to the estimated cost of the cost of care study being conducted by UT-CEBR, or \$21,900.

- Such studies are an allowable use of the Department's annual federal Child Care Development Fund (CCDF) grant.
- Therefore, an increase in federal CCDF expenditures to DHS estimated to be \$21,900 in FY21-22 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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